

The Jerome N. Frank Legal Services Organization

YALE LAW SCHOOL

Testimony of Benjamin Woodring In Support of Senate Bills 409 and 408

Good morning Senator Winfield, Representative Lesser and other members of the Committee. Thank you for the chance to speak today. My name is Benjamin Woodring. I'm a third-year law student at Yale Law School, where I serve in the Mortgage Foreclosure Litigation Clinic. This organization represents homeowners lacking access to private counsel.¹ I'm here today to express the Clinic's enthusiastic support for Senate Bill 409, An Act Concerning the Assignment of Certain Liens and Expanding Homeowner Protections Under the Emergency Mortgage Assistance Program.

When a homeowner is late on property taxes or sewer fees, tax collectors have multiple options. They can 1) foreclose through the courts; 2) sell the debt to third-party buyers (who then themselves can foreclose through the courts); or 3) hold a "tax sale" outside of the court with the assistance of marshals. While each method currently has its problems, this bill looks to tackle issues with method 2: the assigning of tax and lien debts to third-parties. An extremely high default interest rate of 18 percent means that interest charges quickly balloon into the thousands, often exceeding the size of the original debt in question. In fact, the actual unpaid fees are typically quite small. Foreclosing on a home, often worth far more than the underlying tax or sewer debt, is thus usually both unfair and inefficient. It's especially unfair in the case of seniors on fixed incomes who can't accommodate such steep upswings in fees. But regardless of who the affected party is, towns and homeowners would similarly benefit if negotiated agreements were more common, featuring installment plans or other means of avoiding a protracted legal proceeding. Ultimately, it's the state of Connecticut that suffers from overzealous foreclosure regimes, because they lead to increasing strain on social services, as well as blight.

This Act goes a long way toward fixing these problems by 1) reducing the default interest rate on tax and sewer liens held by third-parties to a more manageable level; 2) imposing a minimum debt requirement for a town's sale of a lien to a third-party; 3) requiring third-parties' consideration of payment plans with reasonable repayment periods for homeowners; 4) capping attorney's fees that can be assessed on the homeowner during a foreclosure or tax proceeding initiated by a third-party lien buyer.

The Act also makes important changes in the Emergency Mortgage Assistance Program (EMAP). In the last 20 years, EMAP has proven to be a vastly helpful and important lifeline to homeowners. It's also allowed for fewer properties to become mired in lengthy legal proceedings, instead promoting workable and mutually beneficial ways for homeowners to make payments to mortgagees. This Act builds on that already successful framework to incorporate protections for homeowners who do not have mortgages. The mortgage-less homeowner provision is essentially designed to protect people like the seniors mentioned above, who are cash-strapped and facing an imposing tax or sewer debt. We would only make a small tweak in the existing proposed bill, adding an

¹ Students work under the supervision of attorneys J.L. Pottenger, Jr. of Yale Law School's Jerome N. Frank Legal Services Organization and Jeffrey Gentes, managing attorney at the Connecticut Fair Housing Center.

explicit provision for EMAP's coverage of people with reverse mortgages and people who gave gone through a bankruptcy.

We are committed to helping homeowners work through their obligations in the hopes of either keeping their home or finding a long-term solution that is realistic and fair for both them and for their creditors. This Act helps ensure that comparatively minor tax and sewer debts do not have such an outsized impact in changing the landscape of Connecticut homeownership.

I would also like to register my support of Senate Bill 408, An Act Concerning the Protection of Delinquent Homeowners. This bill shares our concerns of excessive interest rates on delinquent taxes. The multiplicity of bills in this regard shows that this is a good time for considered action.

Many thanks for the opportunity to testify today.